

SERVICE AGREEMENT

THIS AGREEMENT is made and entered into this 23RD day of NOVEMBER, 1998, by and between ILLINOIS-AMERICAN WATER COMPANY, an Illinois corporation and a public utility as defined in the Illinois Public Utilities Act, 220 ILCS 5/1-101, et. seq. ("IAWC" or the "Company"), and the METRO-EAST MUNICIPAL JOINT ACTION WATER AGENCY ("MEMJAWA" or the "Agency"), a Municipal corporation and body both corporate and politic created and existing under and by virtue of the Illinois Intergovernmental Cooperation Act (5 ILCS 220/3/1).

WITNESSETH:

WHEREAS, the parties have entered into a Memorandum of Understanding on September 23, 1998 ("MOU") which provides, inter alia, that the parties will enter into a service agreement containing the terms specified therein, should the Illinois Commerce Commission approve the Competitive Service Tariff ("CST") contemplated thereby; and

WHEREAS, the Illinois Commerce Commission has approved the CST; and

WHEREAS, this Agreement is intended to contain all terms contemplated by the MOU and is being executed in accordance with and in full satisfaction of Section 3 thereof;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and within the MOU and CST, the parties hereby agree as follows:

(1) Term.

The term of the Service Agreement shall be for thirty (30) years from and after its date of execution. At the end of the thirty (30) year term of the Service Agreement, the Agency shall have the right to extend the contract for up to four (4) additional periods of ten (10) years each, upon six (6) months prior written notice to the Company; except that, the Company shall have the right to terminate the Agreement at the end of its original thirty (30) year term provided the Company provides written notice of termination to the Agency at least three (3) years prior to such termination.

(2) Sale for Resale.

(a) MEMJAWA will purchase water from IAWC for resale to its Agency members and MEMJAWA and its Agency members will be free to resell to Agency customers, which customers are not, on the date of such contemplated sale, customers of IAWC. For purposes of the preceding, customers of IAWC shall be limited to customers

who are connected to IAWC service lines for receiving water service from IAWC. Fountain Water District, a public water district, which has a sale for resale water service agreement with IAWC but is not presently connected to IAWC's service line shall not be regarded as a customer of IAWC, until such time as said Water District actually connects to IAWC's service lines. The same would be true of the Prairie Du Pont Public Water District, and the Village of Dupou, Illinois.

(b) Notwithstanding Subsection (2)(a) above, should the certificate of public convenience and necessity granted to IAWC in ICC Docket No. 96-0353 be overturned, in whole or in part, by a court of final jurisdiction, customers being served by IAWC in the area affected by such ruling shall no longer be considered customers of IAWC for purposes of this Agreement.

(c) Certain industries located in Sauget, Illinois (including Solutia, Big River Zinc and Ethyl Petroleum, Inc.) are connected to and receiving water service from IAWC pursuant to a MOU and CST recently approved by the ICC and which is for a term of fifteen (15) years. For the fifteen (15) year term of their Agreement, those industrial customers shall remain the customers of IAWC without the Agency or an Agency member providing water service to them. Notwithstanding Subsection (2)(a) above, on expiration of such industries' water service agreements with IAWC, pending the renewal or extension thereof, the Agency and/or its members shall be free to compete with IAWC for such industrial customers.

(3) Millstadt/Waterloo Transmission Main Connection(s).

The City of Columbia, Illinois, ("Columbia") which is a member of MEMJAWA, shall be given the opportunity and the right to connect to and to take and purchase water from the IAWC sixteen (16) inch diameter transmission main located and installed between the Village of Millstadt and the City of Waterloo, (the "M & W Line") at a meter vault to be located and installed west of State of Illinois Highway Route 158 near Centerville Road, in an easement to be obtained by Columbia such connection shall be on the following terms:

(a) IAWC will construct and install a twelve (12) inch diameter transmission line for Columbia's use in connecting to the M & W Line at the location stated above and IAWC will pay a sum equal to the cost to construct and install an eight (8) inch diameter transmission line therefor (estimated cost \$104,000) and Columbia will pay for the difference in the cost for the twelve (12) inch diameter over sizing of the line (estimated cost \$34,075). IAWC will make a diligent and good faith effort to have the line extension installed within six (6) months after November 5, 1998 when the ICC approved the CST.

(b) From this connection, Columbia shall be permitted to take and purchase a minimum of 120,000 gallons per day (0.12 MGD) at a flow rate of 80 gallons

per minute ("GPM"). This will be the maximum volume which IAWC expects will be available during IAWC's periods of high demand. IAWC shall allow Columbia to take and purchase a larger quantity of water from such point of interconnection, when such water may prudently be provided at such point of interconnection without hindrance to the remainder of IAWC's system. (IAWC estimates that 300,000 gallons per day (0.30 MGD) will be available at a flow rate of 210 gallons per minute ("GPM") during periods of lower demand on its system.) By January 1, 2003 A.D., the minimum volume of water which Columbia may take and purchase from the M & W Line shall be increased to one million gallons per day (1.00 MGD) at a flow rate of 700 GPM, as a result of system enhancements IAWC will make to its system, at no additional cost to Columbia.

(c) All water purchases for water the Agency or an Agency member takes off of the M & W Line shall come under this Agreement and shall be and be regarded as water sold to MEMJAWA for the price and on the terms established for water sales by IAWC to MEMJAWA under this Agreement and the CST.

(4) Edgar Street and Route 3 Connection.

Columbia shall be given the opportunity and the right to connect to and to take and purchase water from an eight (8) inch diameter IAWC transmission main located and installed at or near the intersection of Edgar Street and State of Illinois Highway Route No. 3 in the Village of Cahokia, Illinois. Should Columbia like to obtain water from IAWC at that location, Columbia will be required to pay for the meter vault and IAWC will be required to pay for the installation and maintenance of the meter without assessment of a monthly meter service charge to the Agency or Columbia. All water received by Columbia at this connection shall come under this Agreement and shall be and be regarded as water sold to MEMJAWA for the price and on the terms established for water sales by IAWC to MEMJAWA under this Agreement and the CST.

(5) Quality and Quantity of Water.

(a) IAWC will sell water to the Agency in such amount or quantity as the Agency desires to purchase, up to a maximum of fifteen million (15,000,000) gallons per day (15.00 MGD), (or more provided notice is given in accordance with Subparagraph (c) below). The water supply shall meet the treated water quality standards of the Federal Environmental Protection Agency ("FEPA") and the Illinois Environmental Protection Agency ("IEPA") and shall meet applicable maximum contaminant levels ("MCL") as promulgated by the IEPA.

(b) The Agency and the Agency members shall be free to make and enter into Mutual Aid Agreements for stand-by water service with other finished water producers and/or distributors, including the Village of Dupo and Fountain Public Water District. The Mutual Aid Agreements would cover special needs and emergency situations resulting in

a water service interruption or impediment for the Agency or an Agency member (including but not limited to water main breaks and low water main pressure). Such agreements will be at such water service rates and on such terms as the Agency or Agency members and the water purveyor shall agree. During the term of this Agreement, as long as IAWC can continue to supply the Agency with a minimum of fifteen million gallons per day (15.00 MGD) or more, IAWC will continue to serve the Agency as the Agency's primary water source, notwithstanding the Agency or an Agency member or members have Mutual Aid Agreements for stand-by water service from another water purveyor.

(c) Should the Agency require more than 15.00 MGD during the term of this Agreement, to the extent IAWC has capacity to provide the same, IAWC shall have the first option to supply the excess demand and will do so. For excess demand above 15.00 MGD resulting in a ten percent (10%) or more increase of water required to be supplied over then existing requirements of the Agency, the Agency shall give IAWC a minimum of one (1) year advance notice of said need.

(d) IAWC will explore the feasibility of lime softening its finished water to be sold to the Agency. Pending IAWC being able to provide the Agency with lime softened water, IAWC shall guaranty the Agency that it will provide the Agency and its members with finished water of quality equal to or better than the potable water to be supplied to its other customers in its Interurban District who are being supplied from its same water treatment facilities at East St. Louis and/or Granite City, Illinois; except for water quality parameters which reasonably change as a direct result of distance from such treatment facilities.

(e) IAWC shall also guaranty distribution system reliability for the Agency and its members equal to or better than that provided to its other customers in its Interurban District who receive their water service from the same water treatment facility or facilities, including response time and repair service for water main breaks. Failure to do so will be grounds for dispute resolution by arbitration entitling the complainant to reimbursement of actual damages sustained as a result of such breach, or liquidated damages in the sum of One Thousand Dollars (\$1,000) for each such breach found to have occurred, whichever the Agency would elect.

(f) In the event the supply of water available to MEMJAWA is diminished over an extended period of time, the supply of water to IAWC's direct consumers shall be diminished in the same ratio or proportion as the supply to MEMJAWA's members, subject to the maximum volumes set for Columbia to take from the M & W Line, as set forth above in Section 3(b).

(6) Water Pressure.

IAWC shall provide and maintain at all Agency and/or Agency member points of interconnection ("take-points") a normal pressure of forty-five (45) to fifty (50) pounds per square inch ("PSI"). Notwithstanding anything contained in this paragraph of the Agreement to the contrary, IAWC shall not be responsible or liable for pressure drops resulting from causes beyond the control of IAWC such as water main breaks, uncommon system demands from industries in Sauget, Illinois or other water customers; fires; system failures caused by acts of God or other causes not within the control of the IAWC.

(7) Metering.

(a) IAWC agrees at its own cost and expense to furnish, install and maintain all necessary meters to be located in meter vaults which the Agency will pay for and which will be constructed by the Company at the Agency's expense. The Agency shall have the right at all times to test the meters which register the amount of water for which the Company will bill the Agency. Should said meter test show that said meter is recording with less than ninety-eight percent (98%) accuracy, or the standard for metering from time to time in effect by the American Waterworks Association, whichever standard allows for less deviation, an adjustment shall be made to the billings for the Agency for the prior one-year period to credit the next billing of the Agency by the amount of the over billing. If the meter recording inaccuracy is resulting in an under billing, no adjustment nor debit to billing for the Agency shall be required. On request of the Company the Agency shall share its sub-metering information with the Company.

(b) Neither the Agency or an Agency member shall be charged a monthly meter charge by IAWC.

(8) Audit.

In the event of a disagreement concerning the cost of the water purchased hereunder and/or the calculations necessary for the computation thereof, the parties agree to submit the matter to a mutually agreed upon "Big Six" accounting firm, or a successor of one of such firms, not previously engaged in such an audit and not previously employed by IAWC, the Agency or an Agency member. In the event of the inability to mutually agree upon any such firm, said firm shall be selected by lot from each party's single nominee. The decision of such accounting firm shall be binding upon the parties. The fees of such firm shall be borne equally by the parties.

(9) Dispute Resolution.

Any disputes between the parties that cannot be resolved within sixty (60) days of either party giving to the other party written notice of their complaint, shall be

resolved through use of an arbitrator or panel of arbitrators to be selected for such purpose by using the following procedure:

(a) Either party may demand such arbitration in writing within thirty (30) days after the controversy is ripe for arbitration in accordance with the preceding paragraph, which demand shall include the name of the arbitrator appointed by the party demanding arbitration, together with a statement of the matter in controversy.

(b) Within ten (10) days after receipt of such demand, the other party shall name its arbitrator, or in default thereof, such arbitrator shall be named forthwith by the arbitration committee of the American Arbitration Association, and the two (2) arbitrators so selected shall name a third arbitrator within five (5) business days or, in lieu of such agreement on a third arbitrator by the two (2) arbitrators so appointed, a third arbitrator shall be appointed by the arbitration committee of the American Arbitration Association.

(c) Each party shall bear its own arbitration costs and expenses, and one-half (½) of the cost and expense of each arbitration hearing held pursuant hereto.

(d) Arbitration hearings under this Section (9) shall be held alternatively at (i) the City Hall of the City of Columbia, Illinois or the office of the Commonfields of Cahokia Public Water District in Cahokia, Illinois and (ii) the corporate office of IAWC, on a least five (5) days notice to the parties.

(e) The arbitration rules and procedures of the American Arbitration Association shall govern such arbitration and said rules and procedures are incorporated into this Section (9) by this reference. The laws of evidence of the State of Illinois shall govern the presentation of evidence.

(f) The arbitration hearing shall be concluded within one (1) day unless otherwise ordered by the arbitrators and the award thereon shall be made within five (5) business days after the close of the submission of evidence. An award rendered by the majority of the arbitrators appointed pursuant to this Agreement shall be final and binding on all Parties to the proceeding, and judgment on such award may be entered by either Party in the highest court, state or federal, having jurisdiction.

(g) The Parties stipulate that the provisions hereof shall be a complete defense to any suit, action or proceeding instituted in any federal or state court or before any administrative tribunal with respect to any controversy or dispute arising during the period of this Agreement as herein set forth. The arbitration provisions hereof shall, with respect to such controversy or dispute, survive the termination or expiration of this Agreement.

(h) Nothing herein contained shall be deemed to give the arbitrators any authority, power, or right to alter, change, amend, modify, add to, or subtract from any of the provisions of this Agreement.

(i) In the event any party fails to make the payments and/or to do and perform any other obligations undertaken by them thereby giving rise to a claim or dispute for arbitration as provided in this Section (9), the decision of the arbitrator (or panel of arbitrators, as the case may be) shall be binding on all parties and may be enforced by a court of competent jurisdiction. Disputes or claims resulting in a cause or causes of action shall only be brought in the Circuit Court in and for the Twentieth Judicial Circuit of Illinois located in Belleville, Illinois, or the Federal Court for the Southern District of Illinois located in East St. Louis, Illinois.

(10) Right of Rescission.

(a) In the event a party fails or refuses to make the payments or to do and perform their obligations under this Service Agreement, and such failure has not been cured within ninety (90) days after such party's receipt of written notice of breach, the other party injured thereby, in addition to any other remedy provided by this Agreement or by law or by equity, shall have the right to rescind this Service Agreement on sixty (60) days prior written notice to the breaching party.

(b) Notwithstanding anything contained in this Section (10) of this Agreement to the contrary, should rescission be the subject of a dispute in arbitration, then and in that event, the rescission will take effect sixty (60) days after the rendering of the arbitration decision finding that such a breach occurred.

(c) In the event of the rescission of the Agreement, the parties shall be relieved of any further obligation of performance under this Service Agreement. On rescission this Agreement shall be of no further force and effect.

(d) Notwithstanding anything contained in this Section of this Agreement to the contrary, however, in the event of a rescission due to breach of the Agreement by IAWC, IAWC shall be obligated to continue to supply water to the Agency and the Agency members under the CST for up to three (3) years, to allow the Agency and its members to seek and obtain an alternate water source.

(11) Large User Contract and Competitive Service Tariff.

(a) Prior hereto IAWC and MEMJAWA have made and entered into a contract for service under IAWC Large User Tariff in the form attached hereto as Exhibit "1" (the "Large User Contract" or the "LUC"), which will be applicable retroactive to January 1, 1998 for water purchased from IAWC by the Agency members. Within thirty (30) days

of the ICC approval of the CST on November 5, 1998, IAWC shall make a lump sum payment to the Agency for a sum equal to the difference between the amount paid by the two (2) Agency members for water they purchased from IAWC billed at IAWC's General Tariff Rates between January 1, 1998 and September 17, 1998 (when IAWC commenced billing the Agency at its LUC rates instead of billing the Agency members at IAWC's general tariff rates) and the amount the Agency members would have paid under the LUC rates (rather than IAWC's General Tariff Rates) had they been billed at the LUC rates during that period of time. IAWC shall furnish therewith an accounting for the same showing water purchased during the period involved and how the refund was computed.

(b) Effective December 22, 1998, the CST (a copy of which is attached hereto as Exhibit "2" and by reference made part hereof) will supersede the Exhibit "1" LUC and the remaining term of this Agreement the CST will apply to determine water rates the Agency will pay IAWC for water the Agency purchases from IAWC under this Agreement.

(12) Late Payment Penalty.

All water purchases from IAWC by the Agency shall be billed monthly, within fifteen (15) days after the end of the month in which service is rendered, and all such bills shall be due and payable without discount within thirty (30) days after date of billing. If the bill is not paid within thirty (30) days after billing, the Company may give the Agency written notice of the delinquency. Should any bill remain unpaid for a period of thirty (30) days after written notice by the Company to the Agency that the same is past due, then the Company may, at its option and upon ten (10) days written notice to the Agency discontinue all service to the Agency and all bills then delinquent shall carry interest at the rate of ten percent (10%) per annum from the date due. Should a billing dispute arise between the Agency and the Company, the Company agrees that it will not discontinue service during the period of good faith discussions and during any period in which the Agency disputes said billing before an administrative or judicial body.

(13) Public Utility Annual Gross Revenue Tax Recovery Charge.

Section 9-222 of "The Public Utilities Act," as amended, authorizes a utility to recover from its customers its liabilities to the State of Illinois for Public Utility Annual Gross Revenue Tax imposed by Section 2-202 of "The Public Utilities Act," as amended. Pursuant to Section 9-222 of the Act, the Company will charge MEMJAWA an additional charge for the Public Utility Annual Gross Revenue Tax (currently equal to 0.1%) on all billings under the CST except for (1) this additional charge for Public Utility Annual Gross Revenue Tax, (2) the additional charge for any Municipality Utility Tax, and (3) any other billings and billing items excluded from the base of the Public Utility Annual Gross Revenue Tax. (220 ILCS 5/9-222).

(14) St. Louis Rate Information.

The Agency shall, to the extent the same is available to the Agency and as soon as such information is available to the Agency from the City of St. Louis each year, obtain from St. Louis: (i) the water rate at which the Agency could purchase, for the following year, water from St. Louis under the Water Purchase Contract entered into between the Agency and St. Louis on January 22, 1997; and (ii) the data upon which such rate is based. Within ten (10) days thereafter, the Agency shall provide such information to IAWC. Should any of the necessary information not be available to the Agency from the City of St. Louis, IAWC will attempt to obtain from St. Louis the information necessary to calculate the water rate for the forthcoming year. Should both parties be unable to obtain such information, the U.S. Department of Commerce, Bureau of Census, Water and Sewer Maintenance Index, or a successor thereof, may be utilized to produce any factor for which information from the City of St. Louis is unavailable in order to determine the applicable water rate for the Agency for the forthcoming year.

(15) Cross-Connection Control.

As a condition of IAWC providing water service under the Service Agreement, the Agency shall institute and maintain a cross-connection control program which will require that its customers utilize cross-connection control devices which are at least as reliable as required under the Illinois Plumbing Code. Should the Agency not institute or maintain such a program, the Agency shall install, at its sole cost and expense, a cross-connection control device which will adequately protect IAWC's distribution system from back flow at any point of connection of the Agency's system to IAWC's system.

(16) Situs Law.

This Agreement has been made and entered into and shall be construed and enforced in accordance with the laws of the State of Illinois.

(17) Not Assignable.

This Agreement may not be assigned by any party hereto without the prior written consent of the other party hereto, which consent will not be unreasonably withheld.

(18) Entire Agreement.

This written Agreement contains the entire agreement of the parties and shall not be changed, supplemented or amended in any manner except by an instrument in writing properly executed by the parties to this Agreement. The Company and the Agency agree and acknowledge that all prior agreements, whether written or oral, relating to the

subject matter of this written Agreement are abrogated and rendered of no further force or effect from and after the date of this Agreement. While parole testimony or evidence may be admitted in court or arbitration proceedings to construe the Agreement, the same shall not be admissible to add to or delete from the terms of the Agreement stated above.

(19) Severability.

Whenever possible, each provision of this agreement shall be interpreted so as to be effective and valid under applicable law. If any provision of this Agreement or the application of any provision of this Agreement to party or circumstance shall be prohibited by or declared invalid by a court of competent jurisdiction under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of the Agreement or the application of the remainder of the Agreement to the parties or other circumstances.

(20) Binding Effect.

All of the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the respective parties hereto, their successors and assigns.

METRO-EAST MUNICIPAL JOINT ACTION
WATER AGENCY, a Municipal corporation

BY: Lester Schneider
LESTER SCHNEIDER, Chairman,
Board of Directors

ATTEST:

Billy Jackson
BILLY JACKSON, Secretary,
Board of Directors

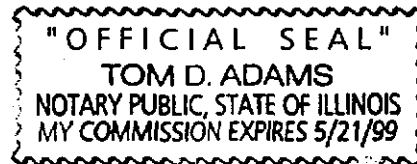
STATE OF ILLINOIS)
) SS
COUNTY OF MONROE)

The undersigned, a Notary Public in and for the County and State aforesaid, does hereby certify that LESTER SCHNEIDER and BILLY JACKSON, personally known to me and known to me to be the Chairman and Secretary, respectively, of the Board of Directors of the Metro-East Municipal Joint Action Water Agency, a Municipal corporation, appeared before me this day in person, and acknowledged that they signed and delivered the foregoing document as their free and voluntary act and deed and as the free and voluntary

act and deed of the Metro-East Municipal Joint Action Water Agency, for the uses and purposes therein set forth, pursuant to an enabling ordinance of said Water Agency duly enacted.

Given under my hand and Notary Seal this 17th day of November 1998.

Tom D. Adams
Notary Public



ILLINOIS-AMERICAN WATER COMPANY,
an Illinois corporation

BY: Ray Lee
RAY LEE, President

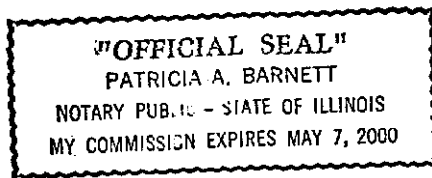
ATTEST:

Sue A. Schultz
SUE A. SCHULTZ, Secretary

STATE OF ILLINOIS)
) SS
COUNTY OF ST. CLAIR)

The undersigned, a Notary Public in and for the County and State aforesaid, does hereby certify that RAY LEE and SUE A. SCHULTZ, personally known to me and known to me to be the President and Secretary, respectively, of the Illinois-American Water Company, an Illinois corporation, appeared before me this day in person, and acknowledged that they signed and delivered the said document as their free and voluntary act and deed, and as the free and voluntary act and deed of said Corporation, for the uses and purposes therein set forth.

Given under my hand and Notary Seal this 23RD day of NOVEMBER,
1998.



Patricia A. Barnett
Notary Public

LARGE USER SERVICE AGREEMENT

THIS LARGE USER SERVICE AGREEMENT is made and entered into to be effective as of the 1st day of January, 1998, by and between **ILLINOIS-AMERICAN WATER COMPANY**, a corporation duly organized under the laws of the State of Illinois and a regulated public utility, hereinafter referred to as "Seller", and **METRO-EAST MUNICIPAL JOINT ACTION WATER AGENCY**, a Municipal corporation and a body both corporate and politic created and existing under and by virtue of the Illinois Intergovernmental Cooperation Act, hereinafter referred to as "Purchaser".

WITNESSETH:

WHEREAS, Purchaser desires to receive water service from Seller for the Purchaser's members' respective operations in Columbia and Cahokia, Illinois which each utilize a common distribution system (collectively the "Premises"), and Seller desires to provide water service to Purchaser, all pursuant to the terms and conditions contained herein; and

WHEREAS, Seller presently has in effect a metered Large User Water Service Tariff, in the form attached hereto as Exhibit A (the "LUT"); and

WHEREAS, Purchaser believes it qualifies for service at the rates set forth in the LUT;

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. Purchaser hereby contracts to purchase all of its requirements of potable water from Seller, its successors and assigns; other than such potable water as Purchaser may receive from a supply owned solely by Purchaser and located wholly on the Premises; and Seller hereby contracts to sell and deliver to Purchaser, its successors and assigns, at the Premises, all of such water requirements, all upon the terms, conditions, and limitations hereinafter provided.
2. Purchaser shall pay Seller the Customer Charge and Usage Rate determined for it in accordance with the LUT, including all amounts due in accordance with the Annual Reconciliation provision contained therein.
3. Upon execution of this Agreement, Seller shall promptly install demand meters on each service line listed on Exhibit B and the data accumulated therefrom following the execution of this Agreement shall be utilized in determining the Usage Rate which will apply to Purchaser's usage under the LUT and this Agreement in the second and all succeeding years under this Agreement. For the first twelve months under this Agreement, Seller and Purchaser agree that the maximum daily demand ratio which shall be used to determine the Usage Rate to be paid by Purchaser during such period shall be 1.163.

4. In addition to the Usage Rate and Customer Charge payable by Purchaser in accordance with paragraph 2 above, for each month during the term of this Agreement, Purchaser will pay charges which reflect any gross revenue tax, municipal utility tax, state utility tax, or other such taxes which Seller is authorized to collect from other sale-for-resale customers pursuant to the terms of Seller's then effective general water service tariff.

5. To the extent the terms and conditions of Seller's general tariffs approved for it by the Illinois Commerce Commission ("ICC") from time to time are not inconsistent with the provisions of this Agreement, it is understood that the terms and conditions of the general tariffs shall apply in connection with service provided by Seller to Purchaser hereunder.

6. This Agreement is and shall be maintained by each party as proprietary and confidential. Each party hereto agrees that it will treat in confidence all documents, materials, and other information which it shall have obtained regarding the other party during the course of the negotiations herof and performance hereunder (whether obtained before or after the date hereof); except as disclosure may be required by the ICC or a court having jurisdiction of the subject matter herof. Each party further agrees that it shall give the other party as much notice as is reasonably practicable, prior to making any disclosure of confidential or proprietary information in accordance herewith.

7. This Agreement shall be effective as of the date and year first above written and shall continue in effect for a term of five (5) years.

8. This Agreement has been entered into and shall be construed in accordance with the laws of the State of Illinois.

9. This Agreement may not be assigned by either party without the prior written consent of the other party, which consent shall not be unreasonably withheld.

10. This Agreement may not be amended nor modified without the prior written consent of the parties sought to be bound by such amendment or modification.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by a duly authorized officer as of the day and year first above written.

"SELLER"

ILLINOIS-AMERICAN WATER COMPANY

By: _____
Its: President

ATTEST:

Its: Secretary

PURCHASER

METRO-EAST MUNICIPAL JOINT
ACTION WATER AGENCY

By: Late Schneider
Its: _____

ATTEST:

Bruce Paul
Its: Secretary

APPLICABLE TO ALL TERRITORY SERVED
METERED LARGE USER WATER SERVICE

Available For

Service under this tariff is available to any Customer whose usage of water supplied by the Company to a common distribution system owned solely by such Customer was 250,000 ccf or greater during the twelve-month period immediately preceding the date upon which the Customer elects to take service under this tariff. For this purpose, "common distribution system" shall include multiple accounts serving the Customer at a single location or premises.

Service Agreement

A Customer which elects to take service under this tariff will be required to execute a 5-year service agreement pursuant to which the Customer agrees to use the Company as its sole source of water supply, other than any source of supply owned solely by the Customer and located wholly on the Customer's premises, during the term of the service agreement. The Service Agreement will specify those mains or service lines serving the Customer's location or premises for which a demand meter will be installed under this tariff. In the event that the Company and Customer agree that a demand meter should not be installed on a given service line, the service for such line shall be billed under a separate account, and not under this tariff.

Customer Charges

All metered Large User Water Service Customers shall pay the Customer Charges by size of meter installed (or multiple meters installed--in which case, the charge is based on the total of all meters installed) as set forth in the Metered General Water Service schedule of rates, plus an additional amount of \$50 per meter per month (for each demand meter).

Usage Rates

In addition to the Customer Charges provided for above, each Customer shall be charged for usage as set forth herein. For a Customer which also takes service under the Standby Water Service Tariff, the charges for usages as set forth herein shall be applicable only to monthly use in excess of a daily average use equal to 2/3 of the Customer's Contractual Demand. For usage up to that daily average, such Customer shall pay the usage rate specified in the Standby Water Service Tariff. For each Customer which maintains annual usage of water supplied by the Company in the amount of 250,000 ccf or greater, as determined monthly on a rolling 12-month basis, the charge for usage each month shall be the lesser of (i) the amount calculated on the basis of the Usage Rates which would otherwise be applicable to that Customer under the Metered General Water Service Schedule of rates or (ii) the amount calculated in accordance with the Usage Rate Formula set forth below. The Usage Rate Formula incorporates the Customer's volumetric and capacity demands through the use of a graduated schedule of rates dependent on the Customer's maximum day demands in relation to the Customer's average day demands (i.e., the maximum day demand ratio), as follows:

Usage Rate per CCF = $\$0.813 + [\$0.472 \times (\text{Maximum Day Demand Ratio} - 1.00)]$

RECEIVED
DEC 23 1997

Issued: December 23, 1997

Effective: December 28, 1997

Issued by: R. W. G. Lee, President
300 North Water Works Drive
Belleville, Illinois 62223

APPLICABLE TO ALL TERRITORY SERVED
METERED LARGE USER WATER SERVICE (Continued)

If and when the usage of a Customer for the Customer's account to which this tariff applies falls below 250,000 ccf for any rolling twelve-month period, that Customer will be charged for usage in accordance with the Usage Rates which would otherwise be applicable to that Customer under the Metered General Water Service schedule of rates, rather than under the Usage Rate Formula set forth above, beginning with the bill rendered for usage for the first month following the end of the twelve-month period in which the Customer's usage falls below 250,000 ccf. Such a Customer will continue to be charged for usage in accordance with the otherwise applicable Metered General Water Service Schedule until the first month following the end of a twelve-month period during which that Customer's usage under the account to which this tariff applies again equals or exceeds 250,000 ccf, at which time the Customer will be billed for usage in accordance with the Usage Rate Formula set forth above.

Maximum Day Demand Ratio

The Maximum Day Demand Ratio in the Usage Rate Formula set forth above is equal to the Customer's maximum day demand divided by the Customer's average day demand to two decimal places. For purposes of calculating the Maximum Day Demand Ratio used in the Usage Rate Formula, cumulative data from all demand meters serving a Customer's common distribution system shall be used. For this purpose, a "day" is a twenty-four hour period commencing at 12:00:00 a.m. and ending at 11:59:59 p.m. The calculations of a Customer's maximum and average daily demands, however, shall not include water used as a result of the following occurrences, to the extent that the Company has been notified of any such occurrence within forty-eight hours of its occurrence and can reasonably determine the amounts of water actually lost during such an occurrence: (i) amounts of water used for fire fighting, or fire prevention where there is an imminent threat of fire resulting from a non-recurring and unexpected cause; (ii) amounts of water lost due to a sudden and unexpected main break on the Customer's premises, provided that the Customer takes steps to immediately and diligently repair such break; and (iii) amounts of water used, due to any extraordinary aberration in the Customer's manufacturing or industrial processes, where such occurrence is non-recurring and not reasonably anticipated by the Customer.

RECEIVED
DEC 23 1997

ILLINOIS COMMERCE COMMISSION
CHIEF CLERK'S OFFICE

Issued: December 23, 1997

Effective: December 28, 1997

Issued by: R. G. Lee, President
300 North Water Works Drive
Belleville, Illinois 62223

EXHIBIT B

Schedule of Demand Meters

Location:

Size

Illinois-American Water
Large User Comparison
For 1998

| | | Projected Usage in 1,000 Gal. | General Tariff Charges | Large User Tariff Charges | Potential Refund |
|---------|-------|-------------------------------------|------------------------------|---------------------------------|---------------------|
| 1998 | | | | | |
| MEMJAWA | 01-98 | 70,312 | \$100,131 | \$85,915 | \$14,216 |
| | 02-98 | 80,895 | 114,651 | 98,473 | 16,178 |
| | 03-98 | 63,326 | 90,547 | 77,626 | 12,921 |
| | 04-98 | 76,412 | 108,501 | 93,153 | 15,347 |
| | 05-98 | 74,232 | 105,509 | 90,566 | 14,943 |
| | 06-98 | 71,494 | 101,752 | 87,317 | 14,435 |
| | 07-98 | 93,112 | 131,412 | 112,969 | 18,444 |
| | 08-98 | 77,469 | 109,950 | 94,407 | 15,543 |
| | 09-98 | 71,702 | 102,039 | 87,565 | 14,474 |
| | 10-98 | 79,511 | 112,751 | 96,830 | 15,922 |
| | | | | | \$152,424 |

ORDINANCE NO. 4

AN ORDINANCE TO AUTHORIZE THE METRO-EAST MUNICIPAL JOINT ACTION WATER AGENCY TO MAKE AND ENTER INTO A SERVICE AGREEMENT WITH THE ILLINOIS-AMERICAN WATER COMPANY

WHEREAS, the Metro-East Municipal Joint Action Water Agency ("MEMJAWA" or the "Agency") is a municipal corporation created and existing under and by virtue of the Intergovernmental Cooperation Act of the State of Illinois (5 ILCS 220/3.1) and was created pursuant a Municipal Joint Action Water Agency Agreement between the City of Columbia, Illinois and the Commonfields of Cahokia Public Water District, dated July 10, 1996;

WHEREAS, the Illinois-American Water Company ("IAWC" or the "Company") is a public utility corporation created and existing under and by virtue of the laws of the State of Illinois and regulated by the Public Utility Act of the State of Illinois (220 ILCS 5/1-101, et. seq.) and is authorized by law to furnish finished water to MEMJAWA for MEMJAWA to sell to its Agency members and others;

WHEREAS, by the Act authorizing the creation of MEMJAWA, MEMJAWA is authorized to purchase finished water from IAWC and to make and enter into a water purchase agreement for the same;

WHEREAS, the Corporate Authorities of the Agency and the Corporate Authorities of the Company have determined and do hereby declare that it is in the welfare and best interest of the Agency and its members and it is in the welfare and best interest of the Company that they make and enter into an agreement for the Agency to purchase finished water from the Company, for resale to the Agency's members and other customers it now has or shall hereafter acquire, on the terms and conditions set forth in said agreement.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Directors of the Metro-East Municipal Joint Action Water Agency, as follows:

Section 1. The Board of Directors of the Agency hereby authorizes the Agency to make and enter into a Service Agreement with IAWC pursuant to a Memorandum of Understanding between said parties dated September 23, 1998, whereby MEMJAWA will purchase finished water from IAWC, for the price and on the terms set forth in the Service Agreement, a copy of which is attached hereto and by reference made part hereof, which Agreement is hereby approved as to form.

Section 2. The Chairman of the Board of Directors of said Agency is hereby authorized and directed to execute the Agreement, for and on behalf of the Agency, in as

many counterparts as the Chairman of the Board of Directors shall determine; and the Secretary of the Agency is hereby authorized and directed to attest the same for and on behalf of the Agency.

Section 3. This Ordinance shall be in full force and effect from and after its passage, as provided by law.

ROLL CALL VOTE of the Board of Directors of the Metro-East Municipal Joint Action Water Agency was as follows:

YEAS: Members Lester Schneider and Billy Jackson.

NAYS: None.

ABSENT: None.

PASSED by unanimous vote of the Board of Directors Metro-East Municipal Joint Action Water Agency this 17th day of November, 1998.

LESTER SCHNEIDER, Chairman, Board of
Directors, Metro-East Municipal Joint Action
Water Agency, an Illinois Municipal corporation

ATTEST:

BILLY JACKSON, Secretary, Board of
Directors, Metro-East Municipal Joint Action
Water Agency, an Illinois Municipal corporation

(SEAL)

STATE OF ILLINOIS)
) SS
COUNTY OF MONROE)

CERTIFICATE

I, BILLY JACKSON, hereby certify that I am the duly elected and acting Secretary of the Board of Directors of the Metro-East Municipal Joint Action Water Agency and as such I am the keeper of the books, records, file and corporate seal of said Agency.

I do further certify that Ordinance No. 4, entitled:

**"AN ORDINANCE TO AUTHORIZE THE METRO-EAST
MUNICIPAL JOINT ACTION WATER AGENCY TO MAKE
AND ENTER INTO A SERVICE AGREEMENT WITH THE
ILLINOIS-AMERICAN WATER COMPANY"**

to which this Certificate is attached is a perfect, true, complete and correct copy of said Ordinance as enacted at a Special Meeting of the said Board of Directors of the Metro-East Municipal Joint Action Water Agency held at the Columbia, Illinois City Hall, 208 South Rapp Avenue, Columbia, Illinois on Tuesday, November 17th, 1998.

I do further certify that said meeting was held at a specified time and place convenient to the public; that notice of said meeting was duly given to all newspapers and other news media requesting such notice; and that said meeting was called and held in strict compliance with the provisions of "AN ACT in Relation to Meetings", approved July 11, 1957, as amended, and that said Board of Directors has complied with all of the applicable provisions of said Act and its procedural rules in the conduct of said meeting.

IN WITNESS WHEREOF, I have made, executed and delivered the above and foregoing Certificate for the uses and purposes hereinabove set forth on this 17th day of November, 1998.

BILLY JACKSON, Secretary of Board of
Directors of the Metro-East Municipal Joint
Action Water Agency, an Illinois Municipal
Corporation

(SEAL)

Competitive Service Tariff

Available For

This Tariff is available for water provided to the Metro-East Municipal Joint Action Water Agency ("MEMJAWA") in accordance with a Memorandum of Understanding ("MOU") entered into between the Company and such customer on September 23, 1998.

Service Agreement

Pursuant to the MOU, MEMJAWA will be required to enter into a 30-year Service Agreement. If MEMJAWA or one of its member entities has previously entered into a Large User Agreement in accordance with the terms of the Metered Large User Water Service Tariff ("Large User Tariff"), the terms and conditions of the Service Agreement entered into pursuant to this Tariff shall, beginning with the effective date of such Service Agreement, supersede the terms and conditions of the service agreement entered into under the Large User Tariff.

Usage Charges

Upon the effective date of this Tariff, MEMJAWA shall pay a usage rate of \$.9096/1000 gallons [\$0.6822/CCF] for all water used. On January 1, 1999, and on an annual basis thereafter, the usage rate shall be adjusted to a price per 1,000 gallons calculated in accordance with the following formula:

$$A + ((B+C+D)/Q \text{ 1,000 gal.}) + E$$

For the purpose of this Tariff, "A" is equal to the cost per 1,000 gallons of water which MEMJAWA would be required to pay under its contract with the City of St. Louis, Missouri dated January 22, 1997. If, during the term of the Agreement, however, any cost information needed to calculate the commodity cost of water from the City of St. Louis becomes impossible to obtain, such cost component shall be calculated as the product of the cost component used in the prior year calculation multiplied by the sum of one plus the percent change in the most recent two years' Consumer Price Index for Water and Sewerage Maintenance, or a successor index, published by the U.S. Department of Commerce, Bureau of the Census. Initially, "A" is \$0.5748. The "B" factor represents avoided debt service and coverage of debt service. "B" is \$283,000 per year for all years through 2028. After 2028, the "B" factor is \$0. The "C" factor represents avoided depreciation. "C" is \$5,000 per year for all years through 2028. After 2028, the "C" factor is \$0. The "D" factor represents avoided operations and maintenance costs through 2028. "D" is \$15,000 per year for all years through 2028. After 2028, the "D" factor is \$0. The "Q" factor is equal to the quantity of water purchased by MEMJAWA from IAWC, in thousands of gallons. Initially, "Q" is equal to 919,300. This factor changes annually based on the previous year water purchase by MEMJAWA. After the year 2028 the "Q" factor is zero. The "E" factor represents avoided operations and maintenance costs for all years subsequent to 2028. "E" is \$0.03 per 1,000 gallons for the year 2029 and will be based on the product of 1.03 multiplied by the previous year's "E" factor for all years subsequent to 2028.

Customer Charges

The customer served under this Tariff shall not be required to pay the Customer Charge by size of meter installed as set forth in the Metered General Water Service schedule of rates, meter and customer related costs being included in the usage charge set forth above.

Public Fire Service Charges

The customer served under this Tariff shall not be required to pay Public Fire Service Rates by size of meter installed as set forth in the Public Fire Service schedule of rates otherwise applicable to customer service under this tariff.

Other Charges

The customer served under this Tariff shall not be subject to charges set forth in the Company's general tariff and shall, instead, be subject to the charges set forth in the MOU.

Issued: September 24, 1998

Effective: December 22, 1998

Issued by: R. G. Lee, President
300 North Water Works Drive
Bellefonte, Illinois 62223

EXHIBIT "2" TO SERVICE AGREEMENT BETWEEN ILLINOIS-
AMERICAN WATER COMPANY & THE METRO-EAST MUNICIPAL
JOINT ACTION WATER AGENCY